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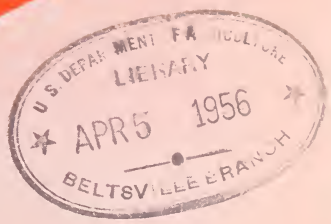
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# Beef Marketing Margins and Costs

## Preface

A series of studies is now under way in the Department of Agriculture dealing with the cost of processing and distributing food. Some of these studies relate to the measurement of marketing margins, others are concerned with the analysis of marketing costs, and another group centers on the effects of marketing practices on margins and costs.

This particular report analyzes the trend of prices and margins for U. S. Choice grade beef at different stages in the marketing process. U. S. Choice grade beef accounts for about half of our total supply of block beef, and it is the only quality of beef for which adequate statistical data are available for a study of this type. It is believed that this analysis gives a broadly representative picture of margins and costs of marketing for most qualities of beef sold in fresh form. About 25 percent of all beef is sold as processed meat.

Fluctuations in dollar margins come about because cattle and beef prices do not maintain a fixed relationship to one another at any point in the marketing channel. But a widening or narrowing long-time trend in margins is a clear indication of changes in the cost of performing the marketing services or a widening or narrowing of profits. A widening of margins might be caused by the addition of consumer services in processing or merchandising food or by a rise in the price of the usual run of services. Some of the work now under way in the Department is designed to establish the relationship between changes in margins,

costs, and services. In any case, the changes in prices and costs have a bearing on the return to farmers and the prices consumers pay for food. The data included in the six illustrative cases presented in this report disclose wide variations in costs, prices, and returns to farmers, feeders, packers, wholesalers, and retailers who buy or sell cattle or meat at different times and under different conditions. The erratic nature of prices and returns for each group included in the illustrative cases emphasizes some of the more obvious problems in calculating meaningful short-time average margins and profits.

The levels of expenditures within the marketing system for labor, supplies, rent, and depreciation are reflected in margins. Therefore, the key to a reduction of margins lies primarily in the efficient use of these cost elements. It is for this reason that the Department is allocating a substantial part of its research funds to studies of food marketing costs as a means of finding ways to reduce such costs or to improve market quality and service through better handling methods which might increase the demands for farm products.

The results of a number of these special food marketing cost studies will be published during the next 12 months. Other phases of beef marketing problems and trends will be dealt with in some of these reports. The quarterly data on beef margins and costs that are shown in this report will be published on a current basis in the Marketing and Transportation Situation.

## Summary

The difference between what the farmer receives for U. S. Choice grade beef on the hoof and what the consumer pays for the meat has fluctuated widely during the 7 years 1949–55. And the spread has gradually widened; in 1955 it was about 5 cents per retail pound more than at the start of the period. In the last quarter of 1955, the margin was 27 percent wider than in the same quarter of 1954.

Those comparisons are based on the price of a pound of beef at retail and the price of its equivalent weight of 2.16 pounds in the live animal. The difference between the price received by the livestock producer and the price paid by the consumer—the "marketing margin"— is the return to marketing agencies for their services.

Some erratic month-to-month fluctuations in overall farm-to-retail margins for beef during the 7 years resulted from the failure of retail prices to adjust quickly to changes in cattle prices at the farm level. This was apparent during the sharp drop in cattle prices at the end of 1952 and during the partial recovery of prices during the third quarter of 1953. Such variations are not unusual.

Later, in 1954 and 1955, however, some longer time lags in adjustment of farm and retail prices had more pronounced effects on marketing margins. Retail prices remained relatively stable during the latter half of 1954 when farm prices of cattle were rising, and during 1955 when farm prices generally declined. Marketing margins therefore narrowed substantially below the long-run average in the latter half of 1954, but widened rather markedly in 1955 until they exceeded the high levels of 1953.

In this case, lags in changes of retail and wholesale prices behind changes in live cattle prices tended to increase the instability of farm prices of cattle. Both the upswing of cattle prices in the last half of 1954 and the downswing of 1955 were greater than they would have been had marketing margins not narrowed and widened successively during these periods.

About 60 percent of the $4.15 per 100 pounds decline in farm prices for U. S. Choice grade cattle which took place from the first quarter of 1955 to the fourth quarter was associated with a widening of marketing margins. Packer-wholesaler marketing margins increased by

$1.08 per 100 pounds of live weight of cattle during this period. Retail margins widened $1.50 per 100 pounds of live weight of cattle, or $2.54 per 100 pounds on a carcass weight basis. Therefore, a little less than half of the overall increase in margins was accounted for at the packer-wholesaler level and a little more than half at the retail level.

There are presented in this report six examples of individual marketings of cattle from ranch and farm through the livestock marketing, slaughtering and processing, whole-saling, and retailing levels to the ultimate consumer, based on actual average price quotations. They show that raising, feeding, and slaughtering beef animals and wholesaling and retailing beef are risky enterprises. The differences between costs and selling prices can vary greatly, yielding different margins for similar services at different times. For the livestock producer and feeder, they show that the timing of purchase and sales is a major factor in determining the profit or loss.

●

## The "Marketing Margin"

The MARKETING MARGIN is the difference between the price per pound the consumer pays for beef and the price the farmer receives for an equivalent quantity of live cattle. It is a return to marketing agencies for their services. It includes all the charges for the distributing and processing services that are required to move live animals from the farm and to convert them to meat in the consumer's hands.

# Beef Marketing Margins and Costs

The job of supplying beef every day of the year for 165 million consumers is the business of 3½ million farmers and ranchers and thousands of marketing agencies. Farmers and ranchers produce the beef, starting with newborn calves on the range and farm, and raising them to slaughter weights on grass or in the feedlot 18 to 27 months later. The marketing agencies—dealers, auctioneers, commission men, truckers, railroaders, slaughterers and packers, wholesalers, jobbers, brokers, and retailers—provide the facilities and services required to move beef from the farms into the hands of consumers at the time and place and in the form they desire.

The production and marketing process is indeed complex; it consists of many different and necessary jobs. Who does the various jobs and what it costs to transform a newborn calf into a slaughter steer and then into steaks, roasts, ground beef, stewing beef, and other products are subjects of lively interest to farmers and consumers.

Consumers often believe the prices they pay for food are high in relation to farmers' returns. And farmers often believe the prices they receive are low in relation to prices of food at retail.

Prices paid by consumers per pound of U. S. Choice grade beef and the farm value of its equivalent 2.16 pounds of live cattle for the period since 1919 are compared in figure 1, page 6.

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# FARM AND RETAIL VALUES AND MARKETING MARGIN



¢ PER LB.

Retail Price*

Farm Value°

MARGIN †    Adjusted for Subsidies△

1920    1930    1940    1950    1960

* Composite retail price of choice grade beef.
° Value of 2.16 lbs. of live cattle (equivalent to 1 lb. of beef at retail) less byproduct allowance.
△ Subsidies paid to processors.
† Difference between the retail price per pound of beef and the farm value.
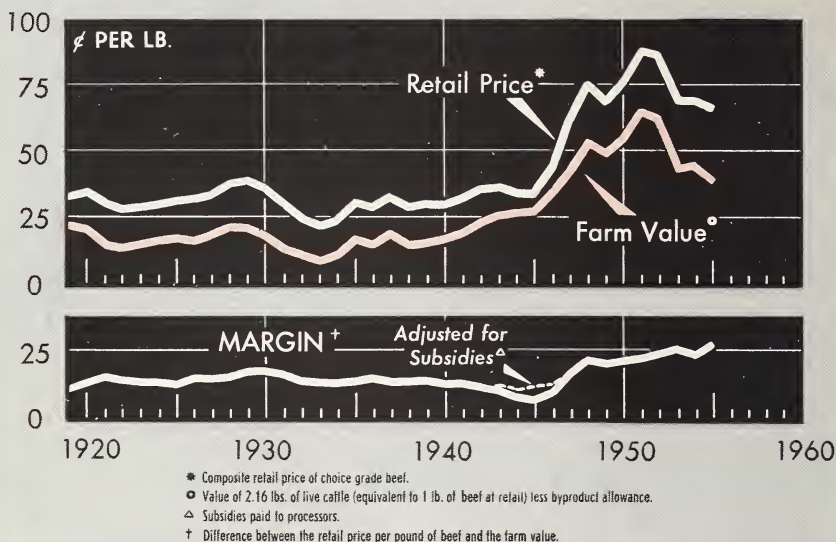
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Figure 1

The farm-to-retail price spread for U. S. Choice beef has widened greatly since 1946. Long before that, in 1929, annual farm-to-retail marketing margins had reached a high of 17.7 cents per pound of beef at retail. They declined through the depression years of the 1930's and tended downward through World War II when prices were under the restraints of OPA ceilings. With the removal of price controls in 1946, however, retail beef prices, cattle prices, and marketing margins shot upward and continued to increase during 1947 and 1948. Marketing margins have tended to widen since 1949 during a period when retail beef prices and cattle prices reached record levels in 1951 and then fell sharply in 1953. The margin was 25.7 cents per pound, retail weight, in 1955.

This report shows that live cattle prices fluctuated more in terms of dollars and cents than did marketing margins during this period.

This report also analyzes the cost relationships of producing and marketing some of the beef we eat after the beef animal first is sold by the farmer. The six cases cited in this report cover only U. S. Choice grade beef and only a few of the channels through which beef cattle move to market. These cases illustrate the jobs that must be done and the returns to the various handlers under different market conditions. They show that raising, feeding, and slaughtering beef animals and wholesaling and retailing beef are risky enterprises; and that the differences between costs and selling prices can vary greatly, thereby yielding different margins for similar services at different times.

# MARKETING CATTLE AND BEEF

Marketing of cattle begins when an animal is sold for the first time by the producer. In the marketing of U. S. Choice grade steers—the kind discussed here—this step usually occurs when the producers of feeder stock sell their steers to cattle feeders. Many feeders raise their own stock for feeding. A more common practice, however, is to buy unfinished animals off range or grass for feeding.

Most of the cattle bought for feeding come from the range area which includes western portions of North and South Dakota, Nebraska, Kansas, Oklahoma, and Texas, and the States to the west of these. Since World War II, increasing numbers of cattle have been moving from the South into the eastern Corn Belt and other eastern States for feeding.

## Sale of Feeder Steers

Producers can sell feeder stock as calves, as yearlings, or as heavy steers. Range and feed conditions and producers' expectations of price are important factors considered in deciding at what age to market. More feeders are sold as calves and yearlings than as older cattle. The largest marketings of feeders take place at the end of the grazing season.

The costs of marketing livestock are related to the channels through which the animals move, and to the marketing services provided. A common practice in marketing feeder cattle is to sell at the ranch, either to dealers or to cattle feeders. Producers also sell feeder cattle through terminal public markets, or auction markets, or to dealers, depending upon expected price, expenses of marketing, and nearness or convenience of the market.

Transportation is a large item of expense in marketing cattle. Expenses for transportation may be borne directly by the farmer and rancher in shipping feeder and slaughter cattle to distant markets, or indirectly in the form of lower prices when the animals are sold at the farm or ranch. In the latter instance, the direct out-of-pocket

expense of transportation is paid by the buyer of cattle.

In addition to the direct expense of shipping by rail or hired trucks, another hidden transportation cost incurred by the shipper is that of "tissue shrinkage," or the net loss in the weight of the carcasses of live animals moving to or from the market. The overall shrinkage, both tissue and excretory, is often compensated for in sales made at ranches and feedlots by reducing the local scale weight by an agreed-upon percentage, usually about 3 to 4 percent.

Expenses at the terminal market consist of charges made by the stockyards company for the use of its facilities and services, and fees paid to commission firms at the market for selling or buying the feeder stock. When feeder cattle are sold at the terminal public market, the animals are usually consigned by the shipper to a particular commission firm. They are received by the stockyards company, delivered to the commission firm's pen, fed and watered, weighed at the time of sale, and loaded for shipment after sale. The shipper pays a commission fee and the expenses of yardage, feed, and bedding, and miscellaneous fees for the use of facilities and services performed. The buyer of feeder cattle at a public market may purchase the animals himself or he may engage a commission firm to buy them for him, for which he pays a buying charge.

## Sale of Fed Steer

The feeding period may range from 120 days for short feeding of heavy steers to as long as 12 months for long feeding of feeder calves. Before moving into the feedlots, feeder calves or yearlings sometimes are placed on pasture. When the animals are ready for slaughter,
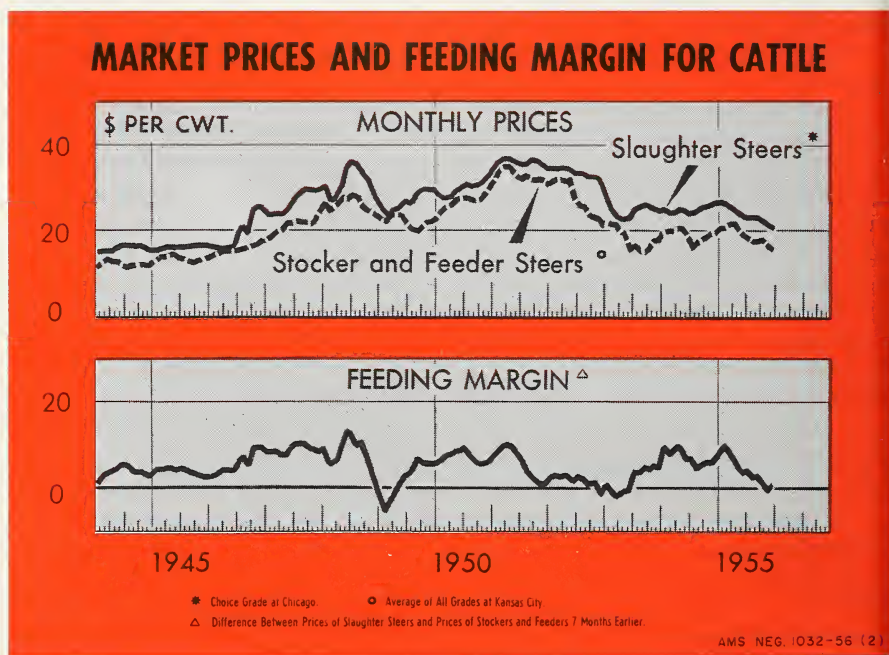


**MARKET PRICES AND FEEDING MARGIN FOR CATTLE**

Figure 2

## U.S. Choice Grade Beef
## LIVE AND WHOLESALE VALUES AND MARKETING MARGIN

$ PER CWT *

Wholesale Value △

Live Price °

MARGIN †

1949    1951    1953    1955

* Live weight basis    ○ 23 public stockyard markets
△ Value of 59 pounds of wholesale carcass beef (equivalent to 100 pounds of live weight) at five markets plus value of byproducts.
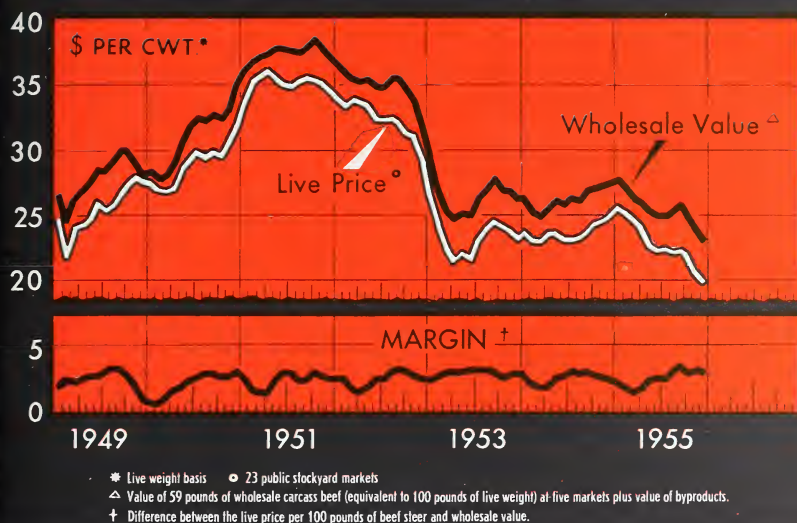† Difference between the live price per 100 pounds of beef steer and wholesale value.

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**Figure 3**

they can be sold through terminal public markets, direct to packers or dealers, or through auction markets. The expenses of marketing slaughter steers are similar to those for marketing feeder cattle.

Net returns from feeding vary with prices paid for feeders, cost of feed, and prices received for slaughter animals (fig. 2). During the 1954–55 feeding year, profits in various feeding programs reflected the downtrend in fed cattle prices in 1955. Cattle fed for an early market returned better-than-average profits. Those for late sale brought below-average profits.

## Slaughtering-Wholesaling

Slaughtering the beef steer and wholesaling the beef carcass comprise the next important step in marketing. About 59 pounds of carcass beef is obtained from 100

pounds of live steer, U. S. Choice grade. The value of byproducts and the wholesale value of the dressed carcass determine approximately the price the meatpacker may be willing to pay for the live animal. Hides, tallow, liver, heart, and other byproducts, both edible and inedible, may have a market value equivalent to more than 5 percent of the carcass value. The decline in byproduct values from an estimated $4.30 per 100 pounds of live weight in early 1951 to about $2 in the fall of 1955 has contributed to a lowering of the price paid for cattle.

Wholesale carcass price quotations plus byproduct values for U. S. Choice grade steers are compared in figure 3 with price quotations for the live cattle at public stockyard markets. Wholesale carcass quotations and byproduct val-

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ues were converted to live weight equivalents. From the combined returns from the sale of a carcass and byproducts, an average value for a live animal is subtracted to obtain an estimated price spread between what the packer-wholesaler pays for the steer and what he gets for the products.

Live-to-wholesale price spreads for the U. S. Choice grade of beef were low in late 1949 and early 1950. This was during a period of relatively short supplies when the live market had some of the characteristics of a seller's market. Live-to-wholesale margins widened from $2.14 per 100 pounds live weight in 1950 to an average of $2.93 in 1953, the high year for this 7-year period (table 1). The price spread narrowed slightly in 1954 and reached a 4-year low of $1.89 per 100 pounds live weight in early 1955. Live-to-wholesale margins widened during the remainder of 1955, reaching near-record levels during the last half.

TABLE 1.—*Live-to-wholesale: Marketing margins per 100 pounds live weight U. S. Choice grade cattle, by quarters, 1949–55*

| Period | Value | | | | | Live-to-whole-sale margin |
| | | Wholesale | | | | |
| | Live weight [1] | Car-cass [2] | Live weight equiva-lent (59 percent yield) | By-product credit | Total value | |
|---|---|---|---|---|---|---|
| **1949:** | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Dollars* |
| January–March | 23. 63 | 38. 90 | 22. 95 | 2. 88 | 25. 83 | 2. 20 |
| April–June | 24. 93 | 42. 12 | 24. 85 | 2. 77 | 27. 62 | 2. 69 |
| July–September | 25. 89 | 44. 62 | 26. 33 | 2. 84 | 29. 17 | 3. 28 |
| October–December | 27. 78 | 45. 59 | 26. 90 | 2. 79 | 29. 68 | 1. 90 |
| Average | 25. 56 | 42. 81 | 25. 26 | 2. 82 | 28. 08 | 2. 52 |
| **1950:** | | | | | | |
| January–March | 27. 18 | 43. 13 | 25. 45 | 2. 58 | 28. 03 | . 85 |
| April–June | 28. 41 | 46. 85 | 27. 64 | 2. 82 | 30. 46 | 2. 05 |
| July–September | 29. 79 | 49. 37 | 29. 13 | 3. 48 | 32. 61 | 2. 82 |
| October–December | 30. 70 | 50. 48 | 29. 78 | 3. 75 | 33. 53 | 2. 83 |
| Average | 29. 02 | 47. 46 | 28. 00 | 3. 16 | 31. 16 | 2. 14 |
| **1951:** | | | | | | |
| January–March | 35. 01 | 55. 22 | 32. 58 | 4. 29 | 36. 87 | 1. 86 |
| April–June | 35. 57 | 56. 96 | 33. 61 | 4. 16 | 37. 77 | 2. 20 |
| July–September | 35. 27 | 57. 28 | 33. 80 | 4. 03 | 37. 83 | 2. 56 |
| October–December | 35. 12 | 58. 06 | 34. 26 | 3. 62 | 37. 88 | 2. 76 |
| Average | 35. 24 | 56. 88 | 33. 56 | 4. 03 | 37. 59 | 2. 35 |

Footnotes at end of table.

TABLE 1.—*Live-to-wholesale: Marketing margins per 100 pounds live weight U. S. Choice grade cattle, by quarters, 1949–55*—Continued
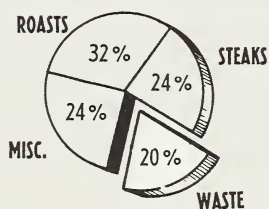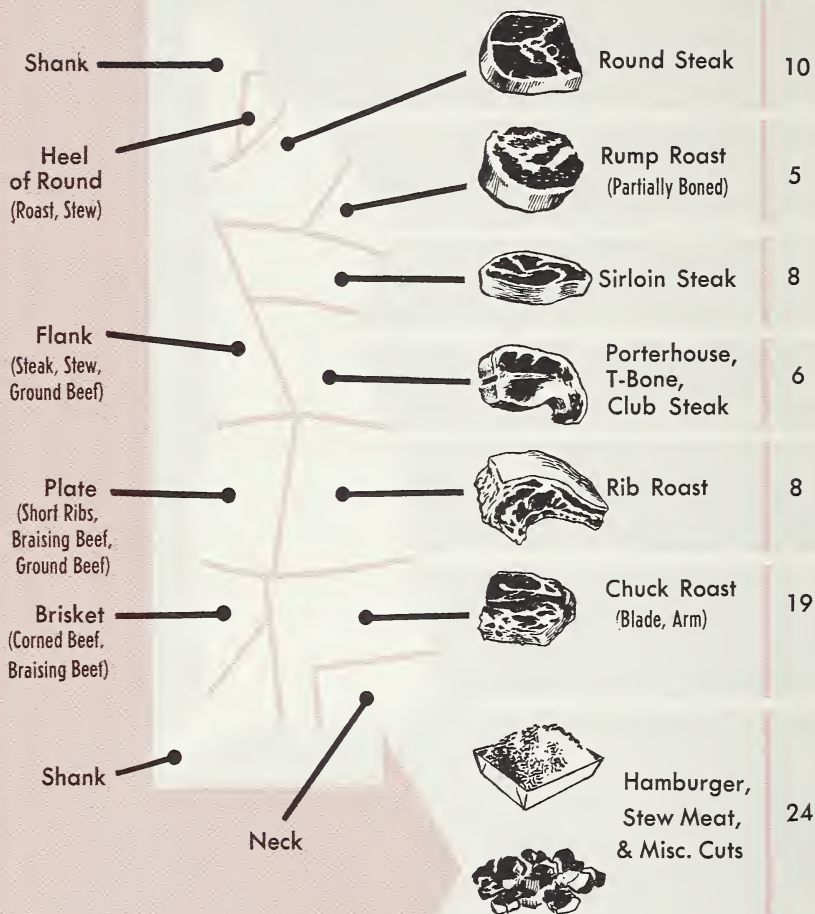
| Period | Value | | | | | Live-to-whole-sale margin |
| | | Wholesale | | | | |
| | Live weight [1] | Car-cass [2] | Live weight equiva-lent (59 percent yield) | By-product credit | Total value | |
|---|---|---|---|---|---|---|
| | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Dollars* | *Dollars* |
| **1952:** | | | | | | |
| January–March | 33. 78 | 56. 20 | 33. 16 | 2. 85 | 36. 01 | 2. 23 |
| April–June | 33. 15 | 55. 09 | 32. 50 | 2. 70 | 35. 20 | 2. 05 |
| July–September | 32. 30 | 55. 20 | 32. 57 | 2. 76 | 35. 33 | 3. 03 |
| October–December | 30. 53 | 52. 22 | 30. 81 | 2. 48 | 33. 29 | 2. 76 |
| Average | 32. 44 | 54. 68 | 32. 26 | 2. 70 | 34. 96 | 2. 52 |
| **1953:** | | | | | | |
| January–March | 24. 42 | 42. 09 | 24. 83 | 2. 26 | 27. 09 | 2. 67 |
| April–June | 21. 87 | 38. 41 | 22. 66 | 2. 20 | 24. 86 | 2. 99 |
| July–September | 23. 92 | 42. 24 | 24. 92 | 2. 22 | 27. 14 | 3. 22 |
| October–December | 23. 81 | 41. 45 | 24. 46 | 2. 20 | 26. 66 | 2. 85 |
| Average | 23. 51 | 41. 05 | 24. 22 | 2. 22 | 26. 44 | 2. 93 |
| **1954:** | | | | | | |
| January–March | 23. 30 | 39. 74 | 23. 45 | 2. 10 | 25. 55 | 2. 25 |
| April–June | 23. 49 | 40. 18 | 23. 71 | 2. 22 | 25. 93 | 2. 44 |
| July–September | 23. 41 | 41. 28 | 24. 36 | 2. 10 | 26. 46 | 3. 05 |
| October–December | 24. 60 | 42. 93 | 25. 33 | 1. 98 | 27. 31 | 2. 71 |
| Average | 23. 70 | 41. 03 | 24. 21 | 2. 10 | 26. 31 | 2. 61 |
| **1955:** | | | | | | |
| January–March | 25. 13 | 42. 49 | 25. 07 | 1. 95 | 27. 02 | 1. 89 |
| April–June | 23. 02 | 39. 65 | 23. 39 | 1. 92 | 25. 31 | 2. 29 |
| July–September | 22. 33 | 39. 63 | 23. 38 | 2. 01 | 25. 39 | 3. 06 |
| October–December | 20. 90 | 37. 07 | 21. 87 | 2. 00 | 23. 87 | 2. 97 |
| Average | 22. 84 | 39. 71 | 23. 43 | 1. 97 | 25. 40 | 2. 56 |

[1] Prices were obtained for the following public stockyards markets: Baltimore, Louisville, Memphis, Nashville, Montgomery, Chicago, Omaha, Kansas City, Sioux City, South St. Paul, St. Louis, St. Joseph, Indianapolis, Detroit, Oklahoma City, Fort Worth, San Antonio, Denver, Los Angeles, Billings, North Portland, Ogden and North Salt Lake, and South San Francisco.

[2] Wholesale prices were obtained for New York, Chicago, Los Angeles, San Francisco, and Seattle markets. The West Coast markets—Los Angeles, San Francisco, and Seattle—were combined and the average was given an equal weight with Chicago and New York.

# RETAIL BEEF CUTS

% of Carcass

Shank

Heel
of Round
(Roast, Stew)

Round Steak — 10

Rump Roast
(Partially Boned) — 5

Sirloin Steak — 8

Flank
(Steak, Stew,
Ground Beef)

Porterhouse,
T-Bone,
Club Steak — 6

Plate
(Short Ribs,
Braising Beef,
Ground Beef)

Rib Roast — 8

Brisket
(Corned Beef,
Braising Beef)

Chuck Roast
(Blade, Arm) — 19

Shank

Neck

Hamburger,
Stew Meat,
& Misc. Cuts — 24

ROASTS 32%  STEAKS 24%  MISC. 24%  WASTE 20%

| | |
|---|---|
| Total Salable Retail Cuts | 80 |
| Waste, (Fat, Bones, Shrinkage) | 20 |
| Total | 100 |

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Figure 4

The Department has not made recent studies on the distribution of the meatpacker's costs. Information reported by the meatpacking industry, however, indicates that on the average for 1950–54 about 77 cents of each dollar of their meat sales was paid for livestock and raw materials.[1] Wages and salaries accounted for an additional 11 cents. About 6 cents was paid for supplies, containers, and transportation. The remaining 6 cents of the meatpacker's sales dollar includes payments for taxes, depreciation, interest, and miscellaneous expenses, and also includes total net earnings.

## Retailing

Retailing is the final step in marketing beef from farm or ranch to consumer. Retailers buy carcasses and quarters from packers and wholesalers which they fabricate into smaller cuts suitable for the retail trade. They trim off excess fat, bone some cuts for roasts and stew beef, and grind portions of the carcass into hamburger. The margin for retailing covers these services performed by the retailer as well as an allowance for losses in weight of the product because of waste from cutting, trimming, boning, and shrinkage. The loss in weight from cutting and trimming is greater for beef than for other kinds of meat, chiefly because more boned cuts are produced. About 80 pounds of salable retail cuts of beef are obtained from every 100 pounds of U. S. Choice grade carcass beef. Only nominal prices are received from the sale of bone, fat, and waste.

Many different retail cuts of beef are obtained from the carcass, and they sell at widely different prices. The more desirable and higher priced steak cuts represent only a small proportion of the total carcass (fig. 4).

TABLE 2.—*Retail price per pound and retail value of 100 pounds of U. S. Choice grade carcass beef, by specified cuts* [1]

| Item | Percentage of carcass | Price per pound | Value |
|------|------|------|------|
| | *Percent* | *Cents* | *Dollars* |
| Retail cuts: | | | |
| Steak: | | | |
| Porterhouse, T-bone and club_____ | 6 | 109 | 6. 54 |
| Sirloin_____ | 8 | 89 | 7. 12 |
| Round_____ | 10 | 75 | 7. 50 |
| Roast: | | | |
| Rib_____ | 8 | 75 | 6. 00 |
| Rump_____ | 5 | 75 | 3. 75 |
| Chuck_____ | 19 | 35–49 | [2] 7. 88 |
| Hamburger, stew, and other cuts_____ | 24 | 17–89 | [2] 9. 50 |
| Total or average_____ | 80 | 60 | 48. 29 |
| Bones, fat, waste, and shrink_____ | 20 | ½–3 | [2]. 34 |
| Grand total or average_____ | 100 | 49 | 48. 63 |

[1] This table illustrates the differences in prices for various retail cuts of beef for a single group of food stores in a major U. S. city in November 1955.
[2] Weighted average price was used in computing dollar values.

[1] "The Financial Results of the Meatpacking Industry 1954," Department of Marketing, American Meat Institute, Chicago 1955, compiled from table 6, p. 9.

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U.S. Choice Grade Beef
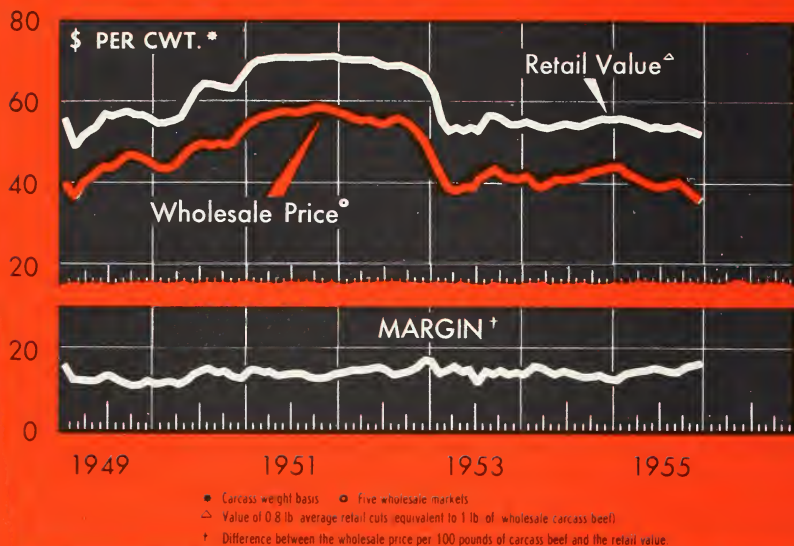
**WHOLESALE AND RETAIL VALUES AND MARKETING MARGIN**

Figure 5

Since the carcass comprises on the average about 59 percent of the live weight, and total salable retail cuts of beef represent about 80 percent of the carcass, about 46 or 47 pounds of salable retail cuts of beef are obtained from 100 pounds live weight of U. S. Choice grade steer. Thus, before any marketing costs are added to the net return received by the farmer or rancher, the retail price per pound must be more than double the live weight price per pound to equal the price paid to the producer for the live animal.

On the basis of carcass price, the price paid by the retailer to the packer, some of the cuts of beef sell at prices per retail pound which are less than half of the prices paid per pound of beef carcass. Other cuts sell at prices that are more than twice the carcass price. An illustration of the wide differences in prices for the different retail cuts for a typical retail food chain in New York in November 1955 is shown in table 2.

TABLE 3.—*Wholesale-to-retail: Marketing margins per 100 pounds carcass weight, U. S. Choice grade beef, by quarters, 1949–55*

| Period | Average composite retail price [1] | Average wholesale price [2] | Wholesale-retail margin [3] |
|---|---|---|---|
| | *Dollars* | *Dollars* | *Dollars* |
| **1949:** | | | |
| January–March | 51. 84 | 38. 90 | 12. 94 |
| April–June | 54. 00 | 42. 12 | 11. 88 |
| July–September | 56. 48 | 44. 62 | 11. 86 |
| October–December | 56. 67 | 45. 59 | 11. 08 |
| Average | 54. 75 | 42. 81 | 11. 94 |
| **1950:** | | | |
| January–March | 54. 56 | 43. 13 | 11. 43 |
| April–June | 58. 96 | 46. 85 | 12. 11 |
| July–September | 63. 92 | 49. 37 | 14. 55 |
| October–December | 63. 68 | 50. 48 | 13. 20 |
| Average | 60. 28 | 47. 46 | 12. 82 |
| **1951:** | | | |
| January–March | 69. 60 | 55. 22 | 14. 38 |
| April–June | 70. 64 | 56. 96 | 13. 68 |
| July–September | 70. 88 | 57. 28 | 13. 60 |
| October–December | 71. 12 | 58. 06 | 13. 06 |
| Average | 70. 56 | 56. 88 | 13. 68 |
| **1952:** | | | |
| January–March | 70. 48 | 56. 20 | 14. 28 |
| April–June | 69. 84 | 55. 09 | 14. 75 |
| July–September | 68. 96 | 55. 20 | 13. 76 |
| October–December | 67. 76 | 52. 22 | 15. 54 |
| Average | 69. 26 | 54. 68 | 14. 58 |
| **1953:** | | | |
| January–March | 56. 96 | 42. 09 | 14. 87 |
| April–June | 53. 28 | 38. 41 | 14. 87 |
| July–September | 55. 44 | 42. 24 | 13. 20 |
| October–December | 55. 44 | 41. 45 | 13. 99 |
| Average | 55. 28 | 41. 05 | 14. 23 |
| **1954:** | | | |
| January–March | 54. 56 | 39. 74 | 14. 82 |
| April–June | 54. 48 | 40. 18 | 14. 30 |
| July–September | 54. 48 | 41. 28 | 13. 20 |
| October–December | 55. 68 | 42. 93 | 12. 75 |
| Average | 54. 80 | 41. 03 | 13. 77 |
| **1955:** | | | |
| January–March | 55. 76 | 42. 49 | 13. 27 |
| April–June | 54. 24 | 39. 65 | 14. 59 |
| July–September | 53. 92 | 39. 63 | 14. 29 |
| October–December | 52. 88 | 37. 07 | 15. 81 |
| Average | 54. 20 | 39. 71 | 14. 49 |

[1] Retail composite prices were derived from prices of individual cuts of beef, collected nationally by the United States Bureau of Labor Statistics. The composite retail price per 100 pounds carcass weight is 80 percent of the average retail price per 100 pounds of retail cuts. This is because 20 percent of the carcass, representing suet, fat, bone, and trim, does not move over the retail counter, but is sold by retailers at nominal prices.

[2] Wholesale prices were obtained for New York, Chicago, Los Angeles, San Francisco, and Seattle markets. The West Coast markets—Los Angeles, San Francisco, and Seattle—were combined and the average was given equal weight with Chicago and New York.

[3] No allowances were made for losses in weight and value of product resulting from spoilage, salvage selling, and other factors.

## U.S. Choice Grade Beef
## FARM AND RETAIL VALUES AND MARKETING MARGIN

¢ PER LB

Retail Price *

Farm Value °

MARGIN †

1949    1951    1953    1955

\* Composite retail price of choice grade beef.
° Value of 2.16 lbs. of live cattle (equivalent to 1 lb. of beef at retail) less byproduct allowance.
† Difference between the retail price per pound of beef and the farm value.
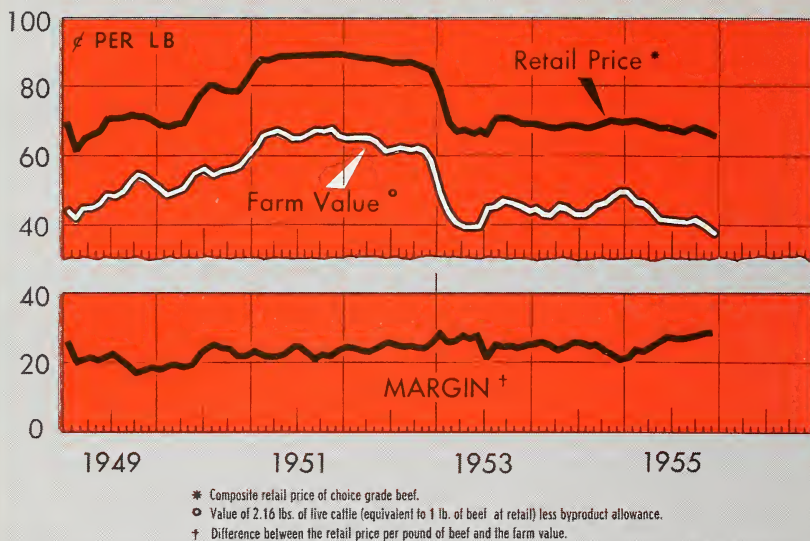
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Figure 6

The composite retail price [2] of U. S. Choice grade beef has tended to parallel the trends in wholesale prices of carcass beef during the 7-year period 1949–55 (fig. 5). Wholesale prices declined from an average of $56.88 per 100 pounds of beef carcass in 1951 (table 3), the high year in the 7-year period, to $39.71 in 1955. Composite retail prices per 100 pounds of carcass beef declined almost the same amount during this period, from $70.56 in 1951 to $54.20 in 1955. Although wholesale and retail prices declined substantially, the wholesale-to-retail margin [3] re-

mained relatively stable, increasing about 80 cents per 100 pounds carcass weight, during this period. However, certain lags in the adjustment of these prices from month to month resulted in some erratic month-to-month variations in margins, such as those during the rapid decline in beef prices at the end of 1952 and during the rise of wholesale prices in the third quarter of 1953 (see figure 5). The wholesale-retail price spread widened during 1955, to $15.81 per 100 pounds carcass weight in the fourth quarter, the highest quarterly margin of the 7 years.

[2] The composite retail price per 100 pounds carcass weight is roughly 80 percent of the average retail price per 100 pounds of retail cuts. This is because about 20 percent of the carcass, representing suet, fat, bone, and trim, does not move over the retail counter, but is sold to renderers at nominal prices.

[3] The wholesale-retail price spread or margin reported here (and in the examples of marketing presented in a later section) is not a realized margin because it does not allow for losses in weight and value of product from spoilage, salvage selling, pilferage, and other factors. These losses are estimated at 3 to 5 percent of retail sales.

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# OVERALL FARM-
# TO-RETAIL MARGIN
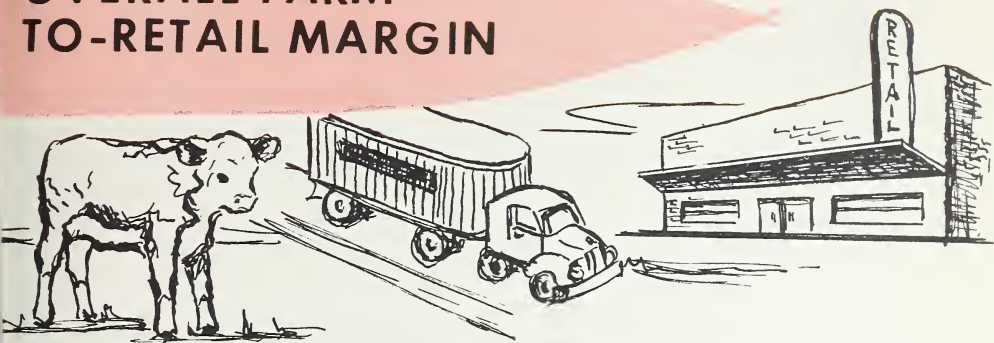
A comparison for 1949–55 of the average retail price per pound of U. S. Choice grade beef and the farm value of its equivalent of 2.16 pounds of U. S. Choice grade slaughter cattle [4] is shown in figure 6. Retail price data used for this comparison are national averages for cities derived from prices of individual cuts of beef collected by the U. S. Bureau of Labor Statistics. An allowance is made for the value of byproducts in making this comparison.

Retail prices of U. S. Choice grade beef followed an upward trend during 1949, 1950, and 1951. Ceiling price regulations of the OPS, which were imposed in May 1951, restricted any further rise in price for that year until ceiling prices of some retail cuts were raised in September. Average retail prices dropped slightly below ceilings in 1952. Under the pressure of greatly expanded supply, retail prices of Choice grade beef dropped sharply in the first part of 1953 but made a partial recovery in late summer. Retail prices re-

mained relatively stable during 1954 but trended downward somewhat during 1955. There was a decline of 3.6 cents per pound in retail beef prices from the first quarter of 1955 to the last quarter.

The farm value of an equivalent quantity of U. S. Choice grade beef roughly paralleled the trend in prices at retail. Nevertheless, the farm-to-retail marketing margin gradually widened from 1949 to 1953 (table 4). Margins then declined to a 4-year low in the last quarter of 1954. Margins widened in 1955 to an average of 25.7 cents per pound, the highest level ever recorded.

Farm-to-retail margins fluctuated widely between 1949 and 1955. During this 7-year period, there has been a gradual widening trend of margins. During the same period, live cattle and retail beef prices have moved up and down substantially. The costs of providing marketing services (labor, rent supplies, transportation, and equipment) tend to remain rather constant over short periods, even though prices of livestock and meat change substantially in response to changed conditions of supply and

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[4] It takes approximately 2.16 pounds of Choice grade live cattle to yield 1 pound of U. S. Choice grade beef at the retail store.

demand. In short-run situations, such costs are not closely related to livestock and meat prices.

Livestock producers received about 62 percent of the consumer's dollar spent for beef in 1955, and marketing agencies the remainder. This compares with 65 percent for producers in 1954, and 63 percent in 1953.

The percentage share of the consumer's dollar for meat received by marketing agencies can fluctuate greatly even though dollars and cents margins may remain fairly stable. For example, at a 90-cent average price for beef at retail, a 25-cent farm-to-retail price spread per pound of beef is a 27.8-percent margin. At a 70-cent average price for beef at retail, the same 25-cent price spread or margin is a 35.7-percent margin.

Marketing margins vary less in dollars and cents than farm prices of livestock over periods in which livestock prices change substantially, as they did from the high levels of 1951–52 to the lower levels of 1953–55. For that reason the farmer's share of the consumer's dollar tends to be less percentagewise when farm prices are low than when they are high.

As was the case for wholesale-to-retail margins, there were some erratic month-to-month fluctuations in the overall farm-to-retail margins when retail prices failed to adjust quickly with changes in prices at the farm level. Such fluctuations took place during the sharp drop in prices at the end of 1952 and during the partial recovery of farm prices of cattle during the third quarter of 1953 (fig. 6). Variations of this kind have not been unusual in the past and are not peculiar to this 7-year period.

In 1954 and 1955, some longer time lags in adjustment of farm and retail prices had greater effects on marketing margins. During the rise in prices of high grade steers and heifers in the latter half of 1954, retail prices of beef remained relatively stable (table 4). As a result, margins narrowed substantially below the longer run average level. However, during the declining prices in 1955, marketing margins widened to record levels.

In this case the failure of retail and wholesale prices to follow live prices more closely, resulting in a narrowing of margins during a period of rising cattle prices and a widening of margins during a pe-

TABLE 4.—*Farm-to-retail: Marketing margins per pound U. S. Choice grade beef at retail, by quarters, 1949–55* [1]

| Period | Retail price [2] | Gross farm value [3] | By-products allowance [4] | Net farm value [5] | Margins [6] | Farmer's share |
|---|---|---|---|---|---|---|
| | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Percent* |
| 1949: | | | | | | |
| January–March_____ | 64. 8 | 48. 6 | 5. 6 | 43. 0 | 21. 8 | 67 |
| April–June_____ | 67. 5 | 51. 7 | 5. 4 | 46. 3 | 21. 2 | 69 |
| July–September_____ | 70. 6 | 55. 6 | 5. 5 | 50. 1 | 20. 5 | 71 |
| October–December_____ | 70. 8 | 58. 7 | 5. 4 | 53. 3 | 17. 6 | 75 |
| Average_____ | 68. 4 | 53. 6 | 5. 4 | 48. 2 | 20. 2 | 71 |

Footnotes at end of table.

TABLE 4.—*Farm-to-retail: Marketing margins per pound U. S. Choice grade beef at retail, by quarters, 1949–55* [1]—Continued

| Period | Retail price [2] | Gross farm value [3] | By-products allow-ance [4] | Net farm value [5] | Margins [6] | Farmer's share |
|---|---|---|---|---|---|---|
| | *Cents* | *Cents* | *Cents* | *Cents* | *Cents* | *Percent* |
| **1950:** | | | | | | |
| January–March | 68. 2 | 54. 6 | 5. 1 | 49. 5 | 18. 7 | 73 |
| April–June | 73. 7 | 59. 3 | 5. 7 | 53. 6 | 20. 1 | 73 |
| July–September | 79. 9 | 62. 6 | 6. 9 | 55. 7 | 24. 2 | 70 |
| October–December | 79. 6 | 65. 2 | 7. 5 | 57. 7 | 21. 9 | 72 |
| Average | 75. 4 | 60. 4 | 6. 3 | 54. 1 | 21. 3 | 72 |
| **1951:** | | | | | | |
| January–March | 87. 0 | 73. 5 | 8. 7 | 64. 8 | 22. 2 | 74 |
| April–June | 88. 3 | 74. 2 | 8. 4 | 65. 8 | 22. 5 | 75 |
| July–September | 88. 6 | 74. 3 | 8. 1 | 66. 2 | 22. 4 | 75 |
| October–December [7] | 88. 9 | 73. 5 | 7. 3 | 66. 2 | 22. 7 | 75 |
| Average | 88. 2 | 73. 9 | 8. 1 | 65. 8 | 22. 4 | 75 |
| **1952:** | | | | | | |
| January–March [7] | 88. 1 | 70. 5 | 5. 9 | 64. 6 | 23. 5 | 73 |
| April–June [7] | 87. 3 | 68. 5 | 5. 5 | 63. 0 | 24. 3 | 72 |
| July–September [7] | 86. 2 | 67. 4 | 5. 5 | 61. 9 | 24. 3 | 72 |
| October–December [7] | 84. 7 | 65. 6 | 5. 0 | 60. 6 | 24. 1 | 71 |
| Average [7] | 86. 6 | 68. 0 | 5. 5 | 62. 5 | 24. 1 | 72 |
| **1953:** | | | | | | |
| January–March [7] | 71. 2 | 48. 9 | 4. 3 | 44. 6 | 26. 6 | 63 |
| April–June | 66. 6 | 43. 6 | 4. 1 | 39. 5 | 27. 1 | 59 |
| July–September | 69. 3 | 50. 3 | 4. 3 | 46. 0 | 23. 3 | 66 |
| October–December | 69. 3 | 49. 2 | 4. 2 | 45. 0 | 24. 3 | 65 |
| Average | 69. 1 | 48. 0 | 4. 2 | 43. 8 | 25. 3 | 63 |
| **1954:** | | | | | | |
| January–March | 68. 2 | 47. 2 | 4. 1 | 43. 1 | 25. 1 | 63 |
| April–June | 68. 1 | 47. 9 | 4. 3 | 43. 6 | 24. 5 | 64 |
| July–September | 68. 1 | 48. 0 | 4. 0 | 44. 0 | 24. 1 | 65 |
| October–December | 69. 6 | 51. 6 | 3. 9 | 47. 7 | 21. 9 | 69 |
| Average | 68. 5 | 48. 7 | 4. 1 | 44. 6 | 23. 9 | 65 |
| **1955:** | | | | | | |
| January–March | 69. 7 | 50. 8 | 3. 6 | 47. 2 | 22. 5 | 68 |
| April–June | 67. 8 | 45. 7 | 3. 6 | 42. 1 | 25. 7 | 62 |
| July–September | 67. 4 | 44. 6 | 3. 7 | 40. 9 | 26. 5 | 61 |
| October–December | 66. 1 | 41. 8 | 3. 6 | 38. 2 | 27. 9 | 58 |
| Average | 67. 8 | 45. 7 | 3. 6 | 42. 1 | 25. 7 | 62 |

[1] It takes 2.16 pounds of live cattle to yield 1 pound of retail beef.
[2] Composite retail price per pound of Choice grade retail beef cuts.
[3] Farm value of 2.16 pounds of Choice grade slaughter cattle including byproduct credit.
[4] Farm value imputed to edible and inedible byproducts.
[5] Gross farm value of 2.16 pounds of Choice grade cattle less byproduct allowance.
[6] Marketing margin is the difference between the retail price per pound of Choice beef paid by the consumer and the price received by farmers for an equivalent quantity, 2.16 pounds, of live Choice grade beef cattle.
[7] Data for 4th quarter of 1951 through 1st quarter of 1953 were recently revised.

riod of falling prices, tended to increase the instability of farm prices of cattle. Both the upswing of cattle prices in the last half of 1954 and the downswing in 1955 were greater than they would have been if retail and wholesale prices had followed cattle prices more closely. In other words, if marketing margins had not narrowed and widened successively during these periods, live cattle prices would have been more stable.

During 1955, the farm-to-retail marketing margin increased 5.4 cents a pound (retail weight), from 22.5 cents in the first quarter to 27.9 cents in the fourth quarter. The $5.40 per 100 pounds increase, on the basis of retail weight, is equivalent to an increased margin of $2.50 per 100 pounds live weight ($5.40 ÷ 2.16). The farm price of U. S. Choice grade cattle declined $4.15 during the same period. It therefore appears that about $2.50 of this $4.15 price decline was associated with a widening of marketing margins. About 42 percent of this overall increase in margins was accounted for between the farm and wholesale levels and approximately 58 percent between wholesale and retail levels.

Wholesale-to-retail margins widened $2.54 per 100 pounds on a car-



U. S. Choice Grade Steers and Beef
MARKETING MARGINS

$ Per Cwt.* — Farm-to-Retail

Wholesale-to-Retail

Live-to-Wholesale

1949    1951    1953    1955

* Liveweight basis
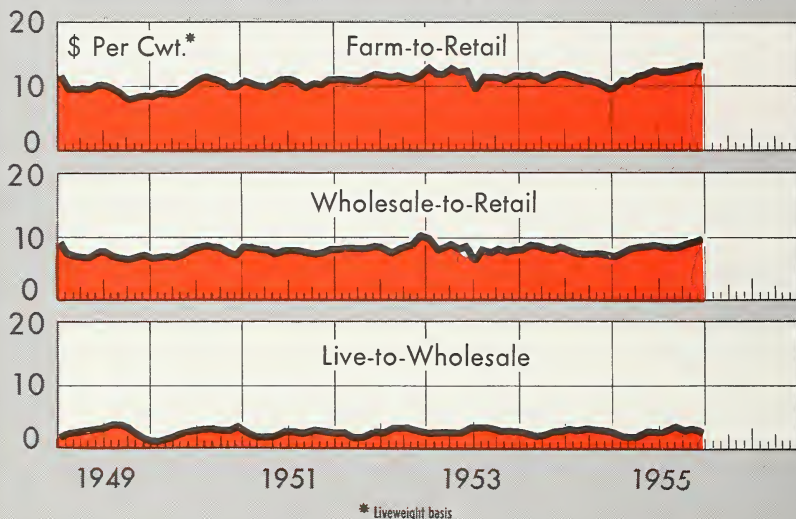
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The word "margins" as used in this chart is synonymous with "price spreads": More precisely, it means the spread between the price paid to the farmer at his first point of sale and the price paid by the consumer at the retail store; the spread between the price paid by the retailer to the wholesaler and the price paid by the consumer at the retail store; and the spread between the price paid for live cattle in the terminal market and the price paid by the retailer to the wholesaler. The live-to-wholesale and wholesale-to-retail margins do not add up precisely to the farm-to-retail margins because they are not computed on exactly the same basis.

Figure 7

cass weight basis from $13.27 in the first quarter of 1955 to $15.81 in the fourth quarter. At a 59-percent carcass yield, this is equivalent to $1.50 per 100 pounds live weight of cattle. During this same period, live-to-wholesale margins increased by $1.08 per 100 pounds live weight (table 4).[5] Marketing margins were "squeezed" during the last quarter of 1954 and during the first quarter of 1955 (see figure 6).

The marketing margins shown in figures 3, 5, and 6, are not comparable. The farm-to-retail margin is based on retail weight, the wholesale-to-retail margin is based on carcass weight, and the live-to-wholesale margin is based on live weight. A comparison of these margins, all adjusted to a live weight basis, is shown in figure 7. These margins or price spreads indicate the *changes* that took place during 1949–55, rather than the absolute margins.

[5] Live-to-wholesale and wholesale-to-retail margins do not add up to equal precisely the farm-to-retail margins. This is because they are not measured on identical physical quantities. The packer margin is computed on the basis of the sale of both carcass and byproducts. Since the retailer only purchases and processes the carcass and merchandises the retail cuts obtained from the carcass, byproducts are excluded in the calculation of the retail margin. This note also applies to figures 3, 5, 7, and 8.

# EXAMPLES OF MARGINS FOR CATTLE AND BEEF
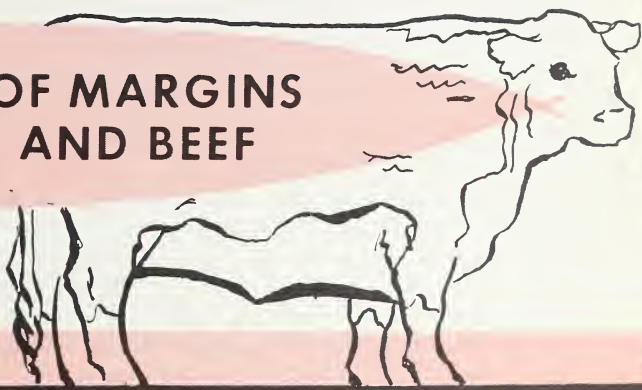
The foregoing is a general description of the marketing, including marketing margins, of cattle and beef, U. S. Choice grade, from farm and ranch to retail.

To illustrate these steps and the costs of marketing cattle and beef from farm and ranch to retail, six examples, which are fairly representative and are based on actual market news reports of prices, have been worked out from information in the Department and the State agricultural experiment stations.

They describe the feeding and marketing of:

1 and 2. A feeder steer from ranch in Texas to sale of U. S. Choice grade beef at retail in New York City.

3. Feeder steer from ranch in Wyoming to sale of U. S. Choice grade beef at retail in Washington, D. C.

4. Steer raised and fed on farm in Illinois to sale of U. S. Choice grade beef at retail in Chicago.

5. Feeder steer from ranch in

Six Examples, in Different Situations, 1954 and 1955
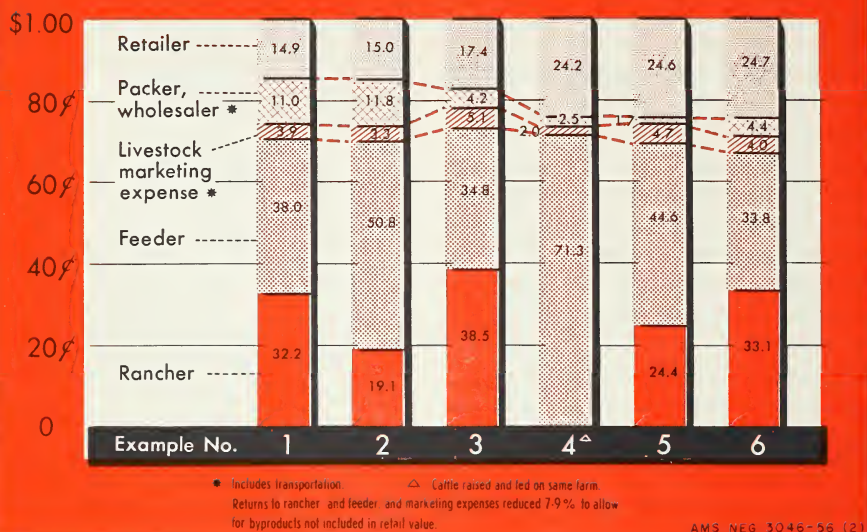
**WHERE THE CONSUMER'S BEEF DOLLAR GOES**

Figure 8

Texas to sale of U. S. Choice grade beef at retail in Los Angeles.

6. Feeder steer from ranch in Montana to sale of U. S. Choice grade beef at retail in San Francisco.

These marketing movements are designed to represent different marketing and feeding programs for steers fed to U. S. Choice grade. U. S. Choice grade beef represents about half of our total supply of "block" beef, or beef sold in the form of fresh cuts at retail. However, there are many other different marketing and feeding programs that are followed for heifers and steers sold for slaughter as U. S. Choice grade, as well as for grades other than U. S. Choice. The cases are illustrative of individual marketings from selected farms and ranches to particular markets at particular times during the feeding years 1953–55. These marketings

tend to bring out the importance of variations in net returns received by farmers and ranchers and by marketing agencies, resulting from differences in feeding programs, marketing channels used, location, time of marketing, and other factors. These differences in marketing expenses and net returns are, of course, hidden in averages and aggregate data. Information on such differences is important to a general understanding of marketing cattle and beef.

The results obtained from these cases are not intended to suggest the average returns which might be expected from the different feeding systems, marketing channels or outlets, locations of slaughter, and retail outlets. Nor are they intended to indicate that any particular feeding program is superior to other programs, or that any particular

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marketing system or channel is superior to other alternative channels.

Marketing is a highly dynamic affair. Had the rancher, farmer, or feeder decided to market his animals one month earlier, or one month later, the results from these programs and movements might have yielded different returns to ranchers and feeders, to packers and wholesalers, and to retailers. A different marketing decision, therefore, might well have changed substantially the estimated distribution of the consumer's dollar spent for beef shown for each of these cases. The distribution of the consumer's beef dollar for each of these examples of marketing is shown in figure 8.

# Example 1.—Feeder Steer from Ranch in Texas to Retail in New York City

This example assumes that in October 1954, a U. S. Good grade 555-pound yearling steer, raised on a ranch near Weatherford, Texas, was shipped by truck to the Fort Worth livestock market. A commission firm located on the market sold the steer on the following day to a cattle feeder from near Topeka, Kans. The steer arrived at his feedlot a few days later in October, weighing 530 pounds. The cattle feeder put the steer on a typical northeastern Kansas Corn Belt winter full-feeding program. The slaughter steer was shipped to the Kansas City market in June 1955, where it weighed 950 pounds and was U. S. Choice grade. A Kansas City packer purchased it for immediate slaughter. The 561-pound U. S. Choice grade beef carcass was sold to a retail food chain store in New York City. The 449 pounds of retail cuts obtained from the carcass were sold to consumers in New York City during the last week of June 1955.

Together, the rancher and feeder would have received about 70 percent of the amount spent by consumers for the 449 pounds of retail cuts, the remaining 30 percent going to marketing agencies.

Although the cattle feeder would have received the largest share of the consumer's dollar for beef, about 38 percent, his gross returns would have barely covered the costs of feeding.

About 15 percent of the consumer's dollar would have gone for retailing, which is half of the total farm-to-retail marketing margin. The packer-wholesaler's share was 11 percent, including 5 percent for transportation of the beef carcass. The remaining 4 percent was for livestock marketing costs such as trucking, commissions, and yardage.

### Estimated Marketing and Feeding Costs and Net Returns

## RETURN TO RANCHER

| | | |
|---|---|---|
| Sales value of 545-pound (shrink deducted) U. S. Good grade feeder steer at Fort Worth, October 1954, at $17.51 per 100 pounds_____ | | $95. 43 |
| Less marketing expense: | | |
| Trucking expense from Texas ranch to Fort Worth_____ | $0. 72 | |
| Expenses at Fort Worth livestock terminal market, including commission, yardage, etc., per head_____ | 2. 26 | |
| Total marketing expense to rancher_____ | | 2. 98 |
| Gross return to rancher_____ | | 92. 45 |

## RETURN TO FEEDER

Sales value of 950-pound (shrink deducted) U. S. Choice grade fed steer at
    Kansas City, June 1955, at $22.40 per 100 pounds_____ $212. 80
Less marketing expense:
    Trucking expense from Kansas feedlot to Kansas City_____ $1. 82
    Expenses at Kansas City livestock terminal market including
      commission, yardage, feed, etc., per head_____ 2. 45

      Total expense to feeder_____ 4. 27

Received by feeder from sale of fed steer_____ 208. 53
Cost of 545-pound U. S. Good grade feeder steer at Fort Worth, October
    1954, at $17.51 per 100 pounds_____ 95. 43
Expense of shipping feeder steer by rail and truck from Fort Worth
    market to Kansas feedlot_____ 3. 98

      Total cost_____ 99. 41

Gross return to feeder_____ 109. 12

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### Estimated Net Return to Feeder

Gross return to feeder_____ $109. 12
Less feeding costs:[1]

| | | | |
|---|---|---|---|
| Corn_____ | 45 bu. at_____ | $1.44 bu_____ | $64. 80 |
| Oats_____ | 2 bu. at_____ | $0.77 bu_____ | 1. 54 |
| Soybean oil meal_ | 196 lb. at_____ | $81.22 ton___ | 7. 96 |
| Alfalfa hay_____ | 1,045 lb. at____ | $22 ton_____ | 11. 50 |
| Minerals_____ | 41 lb. at_____ | $4 cwt_____ | 1. 64 |
| Corn silage_____ | 3,328 lb. at____ | $9.36 ton____ | 15. 58 |
| Pasture_____ | _____ | _____ | 0. 98 |

    Total cost of feed_____ 104. 00
Miscelleneous (medicine, sprays, veterinarian, etc.)____ 2. 00
Labor_____ 2. 40

    Total feeding costs_____ 108. 40

Net return to feeder above feed, labor, and misc. costs_____ . 72

[1] These rations, and others used in this publication, are based on common
feeding practices in the region.

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## RETURN TO PACKER-WHOLESALER

Sales value of 561-pound U. S. Choice grade beef carcass (950-pounds live-
    weight), New York City, June 1955, at $39.82 per 100 pounds_____ $223. 39
Less expense of shipping beef carcass from Kansas City to New York City__ 14. 05

    Net received from sale of beef carcass_____ 209. 34
Cost of 950-pound U. S. Choice grade fed steer at Kansas City, June 1955, at
    $22.40 per 100 pounds_____ $212. 80
Value of byproducts_____ 18. 16

    Value of live steer less byproducts_____ 194. 64

Gross return to packer-wholesaler_____ 14. 70

## RETURN TO RETAILER

Sales value of 443 pounds of retail cuts of beef including allowance for the
    sale of bones, fat, and waste (June 1955) from 561-pound beef carcass____ $262. 60
Less cost of 561-pound U. S. Choice grade beef carcass delivered at New
    York City_____ 223. 39

Gross return to retailer_____ 39. 21

### Estimated Distribution of Consumer's Dollar Spent for Beef [1]

|  | Percent |
|---|---|
| Retailing | 14. 9 |
| Wholesaling and meatpacking: | |

| | Percent | |
|---|---|---|
| Transportation | 5. 4 | |
| Other | 5. 6 | |
| | | 11. 0 |

| | | |
|---|---|---|
| Marketing livestock: | | |
| Expenses at markets | 1. 6 | |
| Transportation | 2. 3 | |
| | | 3. 9 |
| Returns to cattle feeder | | 38. 0 |
| Returns to rancher | | 32. 2 |
| | | 100. 0 |

[1] In estimating the distribution of the consumer's dollar spent for beef shown for this example of marketing and for those following, returns to ranchers and feeders and the expenses of marketing live animals were reduced from 7 to 9 percent to allow for the imputed value of byproducts. The byproduct value was not included in the retail beef value which served as a base for these percentage calculations.

# Example 2.—Feeder Steer from Ranch in Texas to Retail in New York City

This illustration describes the marketing of a 455-pound U. S. Good grade yearling steer, sold from a ranch near Fort Worth, Texas. It is assumed that this steer was bought in the Fort Worth livestock market in October 1953 by a cattle feeder from the Flint Hills of Kansas. The steer was immediately put on the typical Kansas deferred-feeding program for 390 days. The 1,050-pound U. S. Choice slaughter steer was shipped to the Kansas City livestock terminal market in November 1954. The Kansas City packer who bought and slaughtered the steer shipped the 620-pound U. S. Choice grade carcass to a retailer in New York City where 496 pounds of retail cuts were sold to customers.

The same marketing channels are assumed as in the preceding illustration but the time of marketing is one year earlier, and the feeding programs followed are different. Although the cattle feeder and rancher together would have received about the same proportion of the amount spent by consumers for retail cuts of beef as in the previous example, gross returns to the feeder in this case would have substantially exceeded his costs of feeding.

## Estimated Marketing and Feeding Costs and Net Returns

## RETURN TO RANCHER

Sales values of 445-pound (shrink deducted) U. S. Good grade feeder steer
at Fort Worth, October 1953, at $15.88 per 100 pounds_____ $70. 67
Less marketing expense:

Trucking expense from Texas ranch to Fort Worth_____ $0. 58
Expenses at Fort Worth livestock terminal market including
commission, yardage, etc., per head_____ 2. 26
Total marketing expense to rancher_____ 2. 84

Gross return to rancher_____ 67. 83

## RETURN TO FEEDER

Sales value of 1,050-pound (shrink deducted) U. S. Choice grade fed steer
at Kansas City, November 1954, at $24.77 per 100 pounds_____ $260. 09
Less marketing expense:

Trucking expense from Kansas feedlot to Kansas City_____ $3. 23
Expenses at Kansas City livestock terminal market, including
commission, yardage, feed, etc., per head_____ 2. 45

Total expense to feeder_____ 5. 68

Net received by feeder from sale of fed steer_____ 254. 41
Cost of 445-pound U. S. Good grade feeder steer at Fort Worth,
October 1953, at $15.88 per 100 pounds_____ 70. 67
Expense of shipping feeder steer by rail and truck from Fort Worth
market to Kansas feedlot_____ 3. 24

Total cost_____ 73. 91

Gross return to feeder_____ 180. 50

---

### Estimated Net Return to Feeder

| | | | | |
|---|---|---|---|---|
| Gross return to feeder_____ | | | | $180. 50 |
| Less feeding costs: | | | | |
| Corn_____ | 37 bu. at_____ | $1.60 bu_____ | $59. 20 | |
| Cottonseed meal_ | 327 lb. at_____ | $75 ton_____ | 12. 26 | |
| Prairie hay_____ | 572 lb. at_____ | $20 ton_____ | 5. 72 | |
| Sorghum silage__ | 3,600 lb. at____ | $8 ton_____ | 14. 40 | |
| Minerals_____ | 35 lb. at_____ | $4 cwt_____ | 1. 40 | |
| Pasture_____ | _____ | _____ | 21. 30 | |
| Total cost of feed_____ | | | 114. 28 | |
| Miscellaneous (medicine, sprays, veterinarian, etc.)____ | | | 9. 00 | |
| Labor_____ | | | 2. 50 | |
| Total feeding costs_____ | | | | 125. 78 |
| Net return to feeder above feed, labor, and miscellaneous costs_____ | | | | 54. 72 |

## RETURN TO PACKER-WHOLESALER

Sales value of 620-pound U. S. Choice grade beef carcass (1,050 pounds live-
weight), New York City, November 1954, at $45.04 per 100 pounds_____ $279. 25
Less expense of shipping beef carcass from Kansas City to New York City__   15. 50

Net received from sale of beef carcass_____  263. 75
Cost of fed steer to packer:
    Cost of 1,050-pound U. S. Choice grade fed steer at Kansas City,
        November 1954, at $24.77 per 100 pounds_____ $260. 09
    Value of byproducts_____   20. 89

    Value of live steer less byproducts_____  239. 20

Gross return to packer-wholesaler_____   24. 55

## RETURN TO RETAILER

Sales value of 496 pounds of retail cuts of beef including allowance for the
sale of bones, fat, and waste (November 1954) from 620-pound beef
carcass _____ $328. 41
Less cost of 620-pound U. S. Choice grade beef carcass delivered at New
York City_____  279. 25

    Gross return to retailer_____   49. 16

### Estimated Distribution of Consumer's Dollar Spent for Beef

|  |  | *Percent* |
|---|---|---|
| Retailing | | 15. 0 |
| Wholesaling and meatpacking: | *Percent* | |
|    Transportation | 4. 4 | |
|    Other | 7. 4 | |
| | | 11. 8 |
| Marketing livestock: | | |
|    Expenses at markets | 1. 3 | |
|    Transportation | 2. 0 | |
| | | 3. 3 |
| Returns to cattle feeder | | 50. 8 |
| Returns to rancher | | 19. 1 |
| | | 100. 0 |

# Example 3.—Feeder Steer from Wyoming to Retail in Washington, D. C.

This illustration assumes that a 705-pound U. S. Good grade feeder steer was mar-
keted from a ranch near Casper, Wyo. This steer was bought in the Omaha livestock
market in September 1954 by a cattle feeder from near Nevada, Iowa. The steer was
immediately put on the typical Corn Belt winter feeding program for 210 days. The
1,000-pound U. S. Choice slaughter steer was shipped to the Chicago livestock termi-
nal market. A Chicago packer who purchased and slaughtered the steer, shipped
the 590-pound U. S. Choice grade carcass to a retailer in Washington, D. C., where
the 472 pounds of retail cuts were sold to consumers.

The rancher would have received about 38 percent of the amount consumers spent
for 472 pounds of retail cuts in Washington, D. C. Gross returns to the feeder
would have been almost as much, about 35 percent, allowing him a small net return
from his feeding operation.

About 4 percent of consumers' expenditures for beef would have gone to the packer-

wholesaler. His gross returns would have been less than the expense of shipping the beef carcass to Washington.

The retailer's gross margin was about 17 percent. The expenses of marketing livestock included 1.5 percent for expenses at markets and 3.6 percent for shipping the beef steer.

### Estimated Marketing and Feeding Costs and Net Returns

## RETURN TO RANCHER

| | | |
|---|---|---:|
| Sale value of 680-pound (shrink deducted) U. S. Good grade feeder steer at Omaha, September 1954, at $19.04 per 100 pounds | | $129. 47 |
| Less marketing expense: | | |
| Truck and rail expense from ranch to Omaha | $5. 75 | |
| Expenses at Omaha livestock terminal market including commission, yardage, etc., per head | 2. 31 | |
| Total marketing expense to rancher | | 8. 06 |
| Gross return to rancher | | 121. 41 |

## RETURN TO FEEDER

| | | |
|---|---|---:|
| Sale value of 1,000-pound (shrink deducted) U. S. Choice grade fed steer at Chicago, April 1955, at $24.74 per 100 pounds | | $247. 40 |
| Less marketing expense: | | |
| Truck and rail expense from Iowa feedlot to Chicago | $3. 80 | |
| Expenses at Chicago livestock terminal market, including commission, yardage, feed, etc., per head | 2. 55 | |
| Total expense to feeder | | 6. 35 |
| Net received by feeder from sale of fed steer | | 241. 05 |
| Cost of 680-pound U. S. Good grade feeder steer at Omaha, September 1954, at $19.04 per 100 pounds | $129. 47 | |
| Expense of shipping feeder steer by rail and truck from Omaha market to Iowa feedlot | 1. 70 | |
| Total cost | | 131. 17 |
| Gross return to feeder | | 109. 88 |

| *Estimated Net Return to Feeder* | | | | | |
|---|---|---|---|---:|---:|
| Gross return to feeder | | | | | $109. 88 |
| Less feeding costs: | | | | | |
| Corn | 49 bu. at | $1.42 bu | $69. 58 | | |
| Oats | 3 bu. at | $0.71 bu | 2. 13 | | |
| Soybean oil meal | 160 lb. at | $74.43 ton | 5. 95 | | |
| Alfalfa hay | 1,174 lb. at | $20.37 ton | 11. 96 | | |
| Minerals | 33 lb. at | $4 cwt | 1. 32 | | |
| Pasture | | | 1. 37 | | |
| Total cost of feed | | | 92. 31 | | |
| Miscellaneous (medicine, sprays, veterinarian, etc.) | | | 2. 00 | | |
| Labor | | | 2. 00 | | |
| Total feeding costs | | | | | 96. 31 |
| Net return to feeder above feed, labor, and miscellaneous costs | | | | | 13. 57 |

## RETURN TO PACKER-WHOLESALER

Sale value of 590-pound U. S. Choice grade beef carcass (1,000 pounds live-
weight), Washington, D. C., April 1955, at $41.04 per 100 pounds_____ $242. 14
Less expense of shipping beef carcass from Chicago to Washington, D. C.___ 10. 97

      Net received from sale of beef carcass_____ 231. 17
Cost of 1,000-pound U. S. Choice grade fed steer at Chicago, April
    1955, at $24.74 per 100 pounds_____ $247. 40
Value of byproducts_____ 17. 68

      Value of live steer less byproducts_____ 229. 72
Gross return to packer-wholesaler_____ 1. 45

## RETURN TO RETAILER

Sale value of 472 pounds of retail cuts of beef including allowance for the
    sale of bones, fat, and waste (April 1955) from 590-pound beef carcass____ $293. 17
Less cost of 590-pound U. S. Choice grade beef carcass delivered at Wash-
    ington, D. C._____ 242. 14

      Gross return to retailer_____ 51. 03

### Estimated Distribution of Consumer's Dollar Spent for Beef

| | | Percent |
|---|---|---|
| Retailing | | 17. 4 |
| **Wholesaling and meatpacking:** | | |
| | Percent | |
| Transportation | 3. 7 | |
| Other | .5 | |
| | | 4. 2 |
| **Marketing livestock:** | | |
| Expenses at markets | 1. 5 | |
| Transportation | 3. 6 | |
| | | 5. 1 |
| Return to cattle feeder | | 34. 8 |
| Return to rancher | | 38. 5 |
| | | 100. 0 |

# Example 4.—Steer from Farm in Illinois to Retail in Chicago

This example describes the marketing of a 990-pound U. S. Choice grade beef steer, which, it is assumed, was raised and fed on a farm in northern Illinois. The calf, born in April 1954, was weaned in October. The farmer continued the steer on pasture with supplemental feeding until November when the steer was put on dry lot feeding for 250 days. The 960-pound U. S. Choice slaughter steer was shipped in July 1955 to the Chicago livestock terminal market and purchased by a local packer for slaughter. The 566-pound U. S. Choice grade carcass was sold to a local retailer who sold 453 pounds of retail cuts to consumers in Chicago.

The expenses of transportation in marketing would have been low because the steer was raised and fed within 100 miles of Chicago, where the beef was sold at retail. Gross returns to marketing agencies would have been about 29 percent of the amount spent by consumers for 453 pounds of retail cuts of beef in Chicago. The producers would have received about 71 percent.

The retailer would have received about 24 percent of the consumer's dollar spent for beef. Less than 5 percent would have gone for marketing the live animal, slaughtering, and wholesaling.

## Estimated Marketing and Feeding Costs and Net Returns

## RETURN TO PRODUCER

Sale value of 960-pound (shrink deducted) U. S. Choice grade fed steer at
  Chicago, July 1955, at $23.10 per 100 pounds_____ $221. 76
Less marketing expense:
    Trucking expense from feedlot to Chicago_____ $3. 50
    Expenses at Chicago livestock terminal public market, including
        commission, yardage, etc_____ 2. 55
        Total marketing expense to producer_____ ——— 6. 05

Gross return to producer_____ 215. 71

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*Estimated Net Return from Feeding, October 1954–July 1955*

Gross return to producer_____ $215. 71
Less estimated value of 450 pounds Choice weaner steer produced
  on own farm_____ 90. 00

  Gross margin for feeding_____ 125. 71
Less feeding costs:
  Corn_____ 55 bu. at_____ $1.39 bu_____ $76. 45
  Oats_____ 12 bu. at_____ $0.70 bu_____ 8. 40
  Soybean oil meal. 210 lbs. at____ $69.28 ton___ 7. 27
  Alfalfa hay_____ 1,440 lbs. at___ $24.35 ton___ 17. 52
  Minerals_____ 48 lbs. at_____ $4 cwt_____ 1. 92
  Pasture_____ _____ _____ . 40

    Total feed costs_____ 111. 96
Miscellaneous (medicine, sprays, veterinarian, etc.)___ 2. 00
Labor_____ 3. 00

    Total feeding costs_____ 116. 96

Net return to producer for feeding above feed, labor, and miscel-
  laneous costs_____ 8. 75

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## RETURN TO PACKER-WHOLESALER

Sale value of 566-pound, U. S. Choice grade beef carcass (960-pound live-
  weight), July 1955, Chicago, at $37.26 per 100 pounds_____ $210. 89
Cost of 960-pound U. S. Choice grade steer at Chicago, at $23.10
  per 100 pounds_____ $221. 76
Value of byproducts_____ 17. 71

    Value of live steer less byproducts_____ 204. 05

Gross return to packer-wholesaler_____ 6. 84

## RETURN TO RETAILER

Sales value of 453 pounds of retail cuts of beef including allowance for the
  sale of bones, fat, and waste (July 1955) from 566-pound beef carcass___ 278. 02
Less cost of 566-pound U. S. Choice grade beef carcass, Chicago, at $37.26
  per 100 pounds_____ 210. 89

Gross return to retailer_____ 67. 13

## Estimated Distribution of Consumer's Dollar Spent for Beef

|  | Percent |
|---|---|
| Retailing | 24. 2 |
| Wholesaling and meatpacking | 2. 5 |
| Marketing livestock: | |

|  | Percent |
|---|---|
| Transportation | 1. 2 |
| Expenses at markets | . 8 |

|  | |
|---|---|
|  | 2. 0 |
| Return to producer for raising and feeding steer | 71. 3 |
|  | 100. 0 |

# Example 5.—Feeder Steer from Ranch in Texas to Retail in Los Angeles

This illustration describes the marketing of a 605-pound U. S. Good grade steer which, it is assumed, was raised on a ranch near Amarillo, Tex., and was sold at the Amarillo livestock auction market in October 1953, to a cattle feeder from near El Centro, Calif. The steer was put on range and pasture with supplemental feeding for 320 days, where it gained 390 pounds. A packer bought the steer at the California feedlot for dry-lot feeding at a nearby commercial feedlot under a contractual agreement between the packer and commercial feeder. After 60 days of additional feeding, the 1,080-pound U. S. Choice fed steer was shipped to the packer's plant in Los Angeles for slaughter. The 625-pound beef carcass was sold to a local retailer. The 500 pounds of retail cuts obtained from the carcass were sold in Los Angeles in November 1954.

The rancher would have received about 24 percent of the amount spent by consumers for 500 pounds of retail cuts in Los Angeles. The California rancher-feeder would have received about 32 percent, the commercial feeder about 8 percent and the packer about 4 percent for his feeding operations.

Twenty-five percent of the consumer's dollar spent for beef would have gone for retailing. The packer-wholesaler would have received about 2 percent, the remaining 4.7 percent paying such costs of marketing the live steer as trucking, commission, and yardage.

## Estimated Marketing and Feeding Costs and Net Returns

### RETURN TO RANCHER

| | | |
|---|---|---|
| Sale value of 595-pound (shrink deducted) U. S. Good grade feeder steer at Amarillo, Tex., October 1953, at $14.12 per 100 pounds | | $84. 00 |
| Less marketing expense : | | |
| Transportation by truck from ranch to Amarillo | $1. 08 | |
| Expenses at Amarillo livestock auction market, including commission, yardage, etc., per head | 1. 50 | |
| Total marketing expense to rancher | | 2. 58 |
| Gross return to Texas rancher | | 81. 42 |

## RETURN TO CALIFORNIA RANCHER-FEEDER

Sale value of 960-pound U. S. Good grade steer at feedlot near El Centro,
Calif., September 1954, at $20.87 per 100 pounds_____ $200. 35
Cost of 595-pound U. S. Good grade feeder steer at Amarillo, Tex.,
October 1953, at $14.12 per 100 pounds_____ $84. 00
Expense of shipping feeder steer by rail and truck to California feed-
lot from Amarillo, Tex_____ 7. 96
_____
Total cost_____ 91. 96
Gross return to California rancher-feeder_____ 108. 39

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### Estimated Net Return to California Rancher-Feeder

Gross return to rancher-feeder_____ $108. 39
Less feeding costs:

| | | | |
|---|---|---|---|
| Pasture_____ | | | $27. 00 |
| Alfalfa hay_____ | 600 lb. at_____ | $25.73 ton___ | 7. 72 |
| Barley_____ | 11.2 bu. at_____ | $1.09 bu_____ | 12. 21 |
| Cottonseed meal_ | 78 lb. at_____ | $74.36 ton___ | 2. 94 |
| Minerals_____ | 51 lb. at_____ | $4 cwt_____ | 2. 04 |

Total cost of feed_____ $51. 91
Miscellaneous (medicine, sprays, veterinarian, etc.)____ 3. 20
Labor_____ 3. 20
_____
Total cost of feeding_____ 58. 31
_____
Net return to feeder above feed, labor, and miscellaneous costs_____ 50. 08

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## RETURN TO PACKER-WHOLESALER

Return from feeding:
Estimated sale value of 1,060-pound (shrink deducted) fed steer, U. S. Choice
grade, at Los Angeles, November 1954, at $23.30 per 100 pounds_____ $246. 98
Less: Expense of shipping fed steer from feedlot to Los Angeles____ $5. 19
Cost of 960-pound U. S. Good grade feeder steer at ranch near El
Centro, September 1954, at $20.87 per 100 pounds_____ 200. 35
Trucking expense from ranch to commercial feedlot_____ . 41
Cost of contract feeding, 125 pounds gain at about 23 cents per pound_ 28. 61
_____
Total expense to packer-wholesaler_____ 234. 56
_____
Gross return from feeding_____ 12. 42

Net received from sale of beef carcass:
Sale value of 625-pound beef carcass, U. S. Choice grade, November 1954,
Los Angeles, at $37.58 per 100 pounds_____ $234. 88
Cost of fed steer to packer at plant:
Estimated sale value of 1,060-pound fed steer, U. S. Choice grade at Los
Angeles packer plant at $23.30 per 100 pounds_____ $246. 98
Value of byproducts_____ 17. 40
_____
Value of live steer less byproducts_____ 229. 58
_____
Gross return to packer-wholesaler from sale of carcass_____ 5. 30

Sale value of 500 pounds of retail cuts of beef including allowance for the
    sale of bones, fat, and waste (November 1954) at Los Angeles from 625-
    pound beef carcass_____ $310. 93
Less cost of 625-pound U. S. Choice grade beef carcass at Los Angeles_____ 234. 88

Gross return to retailer_____ 76. 05

### Estimated Distribution of Consumer's Dollar Spent for Beef

| | *Percent* |
|---|---|
| Retailing_____ | 24. 6 |
| Wholesaling and meatpacking_____ | 1. 7 |
| Marketing livestock: | |

| | *Percent* | |
|---|---|---|
|     Expenses at markets_____ | 0. 4 | |
|     Transportation_____ | 4. 3 | |
| | | 4. 7 |
| Return to feeder: | | |
|     Packer-feeder_____ | 3. 7 | |
|     Commercial feeder_____ | 8. 5 | |
|     California rancher-feeder_____ | 32. 4 | |
| | | 44. 6 |
| Return to Texas rancher_____ | | 24. 4 |
| | | 100. 0 |

# Example 6.—Feeder Steer from Ranch in Montana to Retail in San Francisco

This illustration describes the marketing of a 665-pound U. S. Good grade steer
which, it is assumed, was raised on a ranch near Billings, Mont. and sold at the
Billings livestock terminal public market in September 1954. The steer was bought
by a cattle feeder and shipped to his ranch near Manteca, Calif. The steer was put
on native foothill pasture for 145 days, where it gained .9 pounds per day for a total
gain of 130 pounds. The rancher then put the steer on lowland pasture with supple-
mental feeding for 120 days. It gained 210 pounds or about 1.75 pounds per day.
Then the steer was placed on dry-lot feeding for 60 days where it gained about 2
pounds a day for a total gain of 120 pounds. The steer was sold at the feedlot to
a packer buyer, and was shipped to San Francisco for slaughter. The U. S. Choice
steer weighed 1,060 pounds at the packing plant. The 625-pound beef carcass was
sold to a local retailer who sold 500 pounds of retail cuts to consumers in San
Francisco.

The Montana rancher and the California feeder each would have received about
a third of the amount paid by consumers for 500 pounds of retail cuts of beef in San
Francisco. About a fourth would have gone for retailing. The packer-wholesaler
would have received about 4 percent, with expenses of marketing the live animal,
including transportation, accounting for the remaining 4 percent.

## RETURN TO RANCHER

Sale value of 645-pound (shrink deducted) U. S. Good grade feeder steer at
  Billings, Mont., September 1954, at $18.60 per 100 pounds_____ $119. 97
Less marketing expense :
    Trucking expense from ranch to Billings_____ $1. 29
    Expenses at Billings livestock terminal market including com-
      mission, yardage, etc_____ 2. 70

      Total marketing expense to rancher_____ 3. 99

Gross return to rancher_____ 115. 98

## RETURN TO FEEDER

Sales value of 1,080-pound U. S. Choice grade fed steer at feedlot near Man-
  teca, Calif., August 1955, at $23 per 100 pounds_____ $248. 40
Cost of 645-pound U. S. Good grade feeder steer at Billings, Mont., Sep-
  tember 1954, at $18.60 per 100 pounds_____ $119. 97
Fee to commission firm at Billings market for buying steer for feeder_ 1. 35
Shipping expense by truck from Billings to feedlot near Manteca,
  Calif _____ 8. 60

Total cost_____ 129. 92

Gross return to feeder_____ 118. 48

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*Estimated Net Return to Feeder*

Gross return to feeder_____ $118. 48
Less feeding costs:
| | | | |
|---|---|---|---|
| Barley_____ | 22.6 bu. at_____ | $1.09 bu_____ | $24. 60 |
| Cottonseed meal | 154 lb. at_____ | $77.92 ton___ | 6. 00 |
| Alfalfa hay_____ | 930 lb. at_____ | $26.65 ton___ | 12. 39 |
| Minerals_____ | 52 lb. at_____ | $4 cwt_____ | 2. 08 |
| Molasses_____ | 160 lb. at_____ | $20 ton_____ | 1. 60 |
| Pasture_____ | _____ | _____ | 24. 00 |

      Total cost of feed_____ 70. 67
Miscellaneous (medicine, sprays, veterinarian, etc.)_____ 3. 25
Labor_____ 1. 90

      Total feeding costs_____ 75. 82

Net return to feeder above feed, labor, and misc. costs_____ 42. 66

# RETURN TO PACKER-WHOLESALER

Sale value of 625-pound U. S. Choice grade beef carcass, San Francisco,
  August 1955, at $39 per 100 pounds_____ $243. 75
Sale value of 1,080-pound U. S. Choice grade fed steer at feedlot
  near Manteca, Calif., August 1955, at $23 per 100 pounds_____ $248. 40
Shipping expense from feedlot to packing plant in San Francisco__   2. 70
                                                                   _____
      Total_____ 251. 10
Less value of byproducts_____  18. 75
                                                                   _____
      Value of live steer less byproducts_____  232. 35
                                                                         _____
Gross return to packer-wholesaler_____   11. 40
                                                                         ════════

# RETURN TO RETAILER

Sale value of 500 pounds of retail cuts, including allowance for the sale of
  bones, fat, and waste (August 1955), from 625-pound beef carcass_____ $323. 75
Less cost of 625-pound U. S. Choice grade beef carcass_____  243. 75
                                                                           _____
Gross return to retailer_____   80. 00

## Estimated Distribution of Consumer's Dollar Spent for Beef

|  | | *Percent* |
|---|---|---|
| Retailing | | 24. 7 |
| Wholesaling and meatpacking: | *Percent* | |
|   Transportation | 3. 5 | |
|   Other | 0. 9 | |
| | | 4. 4 |
| Marketing livestock: | | |
|   Expenses at markets | 1. 2 | |
|   Transportation | 2. 8 | |
| | | 4. 0 |
| Return to cattle feeder | | 33. 8 |
| Return to rancher | | 33. 1 |
| | | 100. 0 |